

**UNIVERSITY OF BOLTON**

**WESTERN INTERNATIONAL COLLEGE FZE**

**ACCOUNTANCY**

**EXAMINATION S2 2018/19**

**CONTEMPORARY BUSINESS MANAGEMENT**

**MODULE NO: ACC5006**

Date: Friday 24<sup>th</sup> May 2019

Time: 1.00pm – 4.00pm

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**INSTRUCTIONS TO CANDIDATES**

There are five questions on this paper.

You must answer Questions 1 and 2

Choose 2 from the remaining 3 Questions (3, 4, and 5)

Calculations are not compulsory but may be used to enhance an answer. Silent non-programmable calculators may be used.

You can bring hand written notes relating to the previously issued case study ( 1 sheet of A4 using both sides), but no text books or class hand-outs.

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### **Case Study**

Tony Hadleigh has just been appointed as Business Manager for the Royal Theatre in the North East town of Rochester. The theatre has just completed a disappointing year with low attendances, culminating in a financial loss for the year ended 31 March 2018 of £75,000. Details of the theatre's financial position for the last 3 years are included in this case study.

The current Production Director, David Essex had until now, been responsible for both the productions and the finance. Tony Hadleigh has been brought in to improve the financial position of the theatre, so David's role will now focus on the productions and their artistic content. Tony is to be paid £12,000 with a bonus of £10,000 if he can bring the accounts back into surplus.

Tony's previous experience has been in the financial function within a local retail company, Whittaker's Limited. When Whittaker's closed Tony was fortunate to get a financial position within the University of Rochester. Tony's wife is member of Greenmount Players a small local theatre and Tony is regular attender of performances there. Consequently, Tony considers himself to be a man of culture not just a profit-motivated businessman. He has embraced the challenge of attempting to turn the financial fortunes of Rochester Royal Theatre around.

Rochester is situated around 22 miles from Newcastle, has a population of around 260,000 people, and is home to one of the newer Universities. The main sources of employment are split between the public and private sector. Rochester is home to over 140 schools and colleges. The local council did used to be a significant employer but has suffered from reductions in central government budgets which has led to reductions in staff. Private sector occupations tend to be in professional occupations e.g. Accountancy, Legal and Insurance. Employment has been reducing generally with a number of local people having to find work in Newcastle, which is also home to a number of popular theatres.

The Royal Theatre is reasonably modern; built in the early 1990s it is located next door to the council offices and has a seating capacity of 300. There is also a restaurant and coffee shop which is open throughout the day but only attracts a few council workers, getting busy only for pre-theatre meals.

There is also a rehearsal stage which is next door to the theatre. The theatre employs 25 full-time actors and actresses and a stage crew of 14 which includes set designers, builders, carpenters, electricians and painters. Ticket sales and administration are handled by three full-time employees.

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Much of the work done during performances is by the “Friends of Royal Theatre”, a small group of active volunteers, many of whom are retired. These people act as bar and restaurant staff. They deal with mailing lists and they also collect tickets, direct people to their seats and sell ice cream and confectionary to the audience at the interval.

The 25 actors and actresses are usually divided into groups, each performing a play for 3 weeks. Whilst one group is performing, the other group is rehearsing for its next three-week commitment. Occasionally when a larger cast is required, such as a performance of Shakespeare, members of one group will supplement the other. In fact, when requirements are for large number of actors, they are helped by volunteers from the Drama Department of the university.

The theatre company operates for 42 weeks in a year. The theatre is closed for two weeks each year for refurbishment and decoration. The remaining 8 weeks are used by touring companies for shows such as opera, ballet and musicals. The Christmas Pantomime includes Dave Spiky and is very popular during the holiday period. The local choral society also occasionally uses the theatre for its concerts which are not very popular.

The funding of the theatre is typical of many regional theatres. The Arts Council (a central government funded body to support cultural activities throughout the country) provides an annual grant of £190,000, subject to the programme being artistically acceptable. The Arts Council aims to encourage both artistic and cultural development. Rochester Town Council whose Director of Finance is a keen supporter of the theatre provides another subsidy of £150,000. However, given the sorry state of the council’s finances there are a small minority of councillors who would like the financial support to be redirected to other council services.

The Director of Finance is constantly asking David Essex for free tickets for himself and the Leader of the Council, which puts David in a difficult position. Most councillors believe that the existence of a Theatre in Rochester is valuable for a number of reasons. It provides both culture and entertainment for the population of Rochester. Furthermore, it enhances the reputation of the town. (This is thought to be particularly important in attracting new students to the town and is included in the Universities Marketing Plan devised by Carl Bridge. The University has currently 14,000 students who provide valuable income to the town including shopkeepers, stall holders on Rochester Market and landlords of student accommodation.

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The University is in the process of developing former Rochester Council Administrative Buildings in the heart of the town which should again improve prosperity for Town Centre Traders. With increasing competition for students Rochester does not want to lose the theatre which is a potential attraction. In addition, the University has a Drama department and the theatre provides both resources and support to this department. Although there is only a nominal charge for this (about £4,000 a year) the theatre does receive help from media and advertising department.

The rest of the income has to be generated by the theatre itself. Box office receipts have been falling over the past three years and in the financial year just completed amount to only £360,000. Until last year ticket prices had been £10 for weekday performances (Monday – Thursday) and £12 for weekends (Fridays and Saturdays). In order to reduce the deficit, the prices have been increased to £11 for midweek and £14.00 for weekends. The pricing strategy does not appear to have worked and the receipts have continued to fall.

Tony has decided that there must be a review of the theatres operations as attendances are continuing to fall. He has spoken to David over a cup of coffee in the restaurant with regard to reviewing operations. David informed him that average attendances were less than a third of theatre capacity. There were few shows which could be considered to be financially successful. The twice-yearly Shakespeare productions are always popular because the management wisely choose to perform the plays which are being used as the examination texts by the local schools. Naturally the local students take the opportunity to see these plays. The Christmas Show is successful for about two weeks but unfortunately the performances are scheduled for three weeks. Some touring groups for opera and ballet are well supported but the cost of attracting these companies is very high and although the attendance is almost at capacity the revenue does not cover the operating costs.

However, the main problem appears to be with the resident theatre group whose costs are escalating but do not appear to be attracting customers. Tony called a meeting with the various stakeholders to consider alternative approaches to improve the fortune of the theatre. The outcome of the meeting has not resulted in an agreed way forward.

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The actors and actresses are suggesting that future programmes be more adventurous and modern. One of them said “We need to educate the audience to accept more creative material. The old favourites are boring and provide no interest in us”. However, this opinion has been totally rejected by the theatre supporters club who do most of the voluntary work. They are looking for an increase in established and popular plays with which the audience are familiar. They want comedies and easy to understand detective plays. This request has been met with total opposition from the performers who have said that this type of material is both uninteresting and unacceptable to them. Finally, the members of the local council, who appear to enjoy the privilege of free entry to the theatre as a result of their patronage, seem more concerned with attracting outside companies to the theatre. The presence of nationally known theatre groups and performers apparently enhances the town’s reputation.

Tony Hadleigh is unhappy at this inability to agree a way to resolve the current unacceptable position. There has to be some agreed strategy if the theatre is to survive and yet most of the groups, who have a stake in the theatre, cannot reach an understanding. Unless a viable solution can be found and agreed upon the Royal Theatre will have to close, just as many other regional theatres have.

It is apparent that the difference in opinions held by actors, the local council and the volunteers will present problems to management and, in particular to Tony Hadleigh. He will have to initiate change within the theatre the required solutions are to be introduced. This will be neither welcome nor easy to implement.

**Expenditure and Income tables are overleaf**

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Expenditure and Income

	2015-16 £000s	2016-17 £000s	2017-18 £000s
<u>Income</u>			
Theatre Group	410	390	340
Touring Companies	118	120	140
Restaurant	31	36	32
Arts Council	195	195	195
Local Authority	140	140	140
University	5	5	5
Hire to local choirs	<u>4</u>	<u>4</u>	<u>4</u>
Total Income	903	890	856
<u>Expenditure</u>			
Wages and Salaries	500	520	559
Materials and other	100	103	120
Restaurant (food, drink)	29	30	35
Fixed costs (rent, power)	40	44	46
Touring Company cost	<u>120</u>	<u>130</u>	<u>165</u>
Total Expenditure	789	827	916
<b>Surplus /(Deficit)</b>	<b>114</b>	<b>63</b>	<b>(75)</b>

END OF CASE STUDY

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**Question 1 (Compulsory)**

- (a) The Royal Theatre like many others in the current economic climate is experiencing a number of challenges both internal and external. Using established management principles undertake a full internal and external review of the Royal Theatre. Include academic frameworks and financial analysis to support your review. (15 marks)
- (b) From the case study critically review the strategic direction of the Royal Theatre making appropriate recommendations to improve stakeholder focus and enthusiasm. (10 marks)

**(Total marks 25)**

**Question 2 (Compulsory)**

- (a) Produce a short report detailing actions that could improve the financial position of the Royal Theatre. (15 marks)
- (b) As a relative newcomer to the Theatre, Tony Hadleigh may have difficulty in making the changes he feels are necessary. Identify approaches that Tony could adopt to overcome any resistance that he may encounter. (10 marks)

**(Total Marks 25)**

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**Question 3**

- (a) Identify a minimum of three business endeavours evaluating appropriate management structures that could facilitate improved performance. (15 marks)
- (b) Evaluate whether the use of “Kotters” management principles could support Tony Hadleigh in the task he has to improve the performance of the Royal Theatre. (10 marks)

**(Total Marks 25)**

**Question 4**

- (a) Identify how the embracement of “corporate and social responsibility” can improve the balance sheets of business. (10 marks)
- (b) With increasing globalisation comes both opportunity and risk. Evaluate potential opportunity’s and identify measures that business can take to minimise risk and improve their chances of long term sustainability. (15 marks)

**(Total Marks 25)**

**Question 5**

- (a) Critically analyse the benefits of team work both to the employee and to the organisation. (10 marks)
- (b) Evaluate the potential benefits in applying the “Boston Matrix” to a companies product portfolio and suggest practical strategies that can be applied to increasing the life cycle of a product that has reached maturity.



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(15 marks)

**(Total Marks 25)**

**END OF QUESTIONS**

PAST EXAMINATION PAPER